

Message Text

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 8730

UNCLAS NEW DELHI 6565

FOR COMMERCE

E.O. 11652: N/A

TAGS: BEXP, IN

SUBJECT: MAJOR EXPORT OPPORTUNITY FOR CAPTIVE POWER PLANTS

1. THE GOI-OWNED FERTILIZER CORPORATION OF INDIA (FCI) HAS JUST COMPLETED REAPPRAISAL OF ITS CAPTIVE POWER REQUIREMENTS AND HAS OBTAINED APPROVAL, IN PRINCIPLE, OF THE MINISTRY OF FINANCE AND THE DEPARTMENT OF HEAVY INDUSTRY FOR IMPORT OF URGENTLY NEEDED POWER GENERATING EQUIPMENT. FCI WILL BE REQUIRED TO NEGOTIATE PROCUREMENT OF TURBINE GENERATORS AND BOILERS FOR FIRM DELIVERY WITHIN A PERIOD OF NO MORE THAN 12 TO 15 MONTHS. THE GOI HAS IDENTIFIED FERTILIZERS AND ALUMINIUM AS THE TWO VITAL SECTORS OF THE INDIAN INDUSTRIAL ECONOMY THAT NEED TO BE GRANTED THE HIGHEST PRIORITY FOR THE ESTABLISHMENT OF CAPTIVE POWER PLANTS. THE REASONING UNDERLYING THIS DECISION IS THAT FAILURE TO FULLY UTILIZE EXISTING DOMESTIC CAPACITY CAN ONLY RESULT IN THE MORE COSTLY ALTERNATIVE OF HAVING TO IMPORT FINISHED FERTILIZERS AND/OR FOOD AND ALUMINIUM INGOTS.

2. THE FCI'S REVISED REQUIREMENTS ARE FOR IX25 MW; IX15MW; IX10 MW AND IX7.5 MW THERMAL POWER PLANTS WITH COMPATIBLE STEAM GENERATING BOILERS (NEW OR AS-GOOD -ASANEW). IN ADDITION, FCI REQUIRE S, FOR EARLIEST POSSIBLE DELIVERY, 4X1100 KVA DIESELS FOR OPERATION IN TANDEM. FCI HAS ADVISED THE EMBASSY THAT DELIVERY SCHEDULES ON THE THERMAL TURBINE GENERATORS AND BOILERS SHOULD NOT EXCEED A MAXIMUM OF 12 15 MONTHS.

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3. FCI HAS INFORMED THE EMBASSY THAT FINANCING FOR ITS POWER EQUIPMENT REQUIREMENTS WILL BE NEGOTIATED THROUGH EITHER THE WORLDBANK GROUP OR EXIM/COMMERCIAL BANK LENDING. BECAUSE OF THE HIGHEST PRIORITY ACCORDED TO FERTILIZER PRODUCTION, THE GOI MAY EVEN FAVORABLY CONSIDER FINANCING OF THE UNITS OUT OF ITS FREE FOREIGN EXCHANGE RESOURCES BUT ONLY AS A MEASURE OF LAST RESORT.

4. INTERESTED US COMPANIES SHOULD BE ADVISED TO SUBMIT OFFERS DIRECTLY TO K.C. SHARMA, CHAIRMAN, FERTILIZER CORPORATION OF INDIA F-43 N.D.S.E. PART 1, NEW DELHI 110049, WITH A COPY MARKED FOR THE ATTENTION OF DR.S.K. MUKHERJEE, FCI'S DIRECTOR OF PROJECTS.

5. ACTION REQUESTED: THE DEPARTMENT OF COMMERCE IS REQUESTED TO BRING THIS SIGNIFICANT EXPORT AND BUSINESS OPPORTUNITY TO THE ATTENTION OF US.INDUSTRY. THIS OPPORTUNITY REPRESENTS A MAJOR, ONE-TIME, EXCEPTION TO THE GOI POLICY WHICH BANS THE IMPORTATION OF COMPLETE POWER GENERATING PLANTS. FYI: THE EMBASSY HAS INFORMED THE O'BRIEN MACHINERY COMPANY, WILMINGTON, DELAWARE, OF THIS SUBSTANTIVE EXPORT OPPORTUNITY INASMUCH AS THIS COMPANY HAS ON-GOING NEGOTIATIONS WITH THE FCI.SAXBE

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